



NASFAM Strengthening Project
(NSP)
Malawi

Quarterly Report
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Cover Photo: *BASFA members visit a cotton demonstration in Balaka*

Map of Project Area of Operation

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NASFAM Strengthening Project

List of Acronyms

ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
ADA	Agribusiness Development Advisor
ADC	Agribusiness Development Center
ADCC	Agribusiness Development Center Coordinator
ADMARC	Agricultural Development and Marketing Corporation
AFM	Association Field Manager
AFO	Association Field Officer
AFSU	Audit and Financial Systems Unit
AGM	Annual General Meeting
BASFA	Balaka Smallholder Farmers' Association
BDU	Business Development Unit
BOD	Board of Directors
BOT	Board of Trustees
CPMM	Crop Production and Marketing Manager
DANIDA	Danish International Development Agency
DEO	Data Entry Officer
EPA	Extension Planning Area
FCL	Full Container Load
GAC	Group Action Committee
GM	General Manager
HRD	Human Resource Development
IB	Intermediate Buyer
ISU	Information Services Unit
LMA	Land-use Management Advisor
MAC	Marketing Center
MAFE	Malawi Agro-Forestry Extension [Project]
MAI	Ministry of Agriculture and Irrigation
MDU	Marketing Development Unit
MIS	Management Information System
MK	Malawi Kwacha
MRFC	Malawi Rural Finance Company
MSB	Malawi Savings Bank
MUSCCO	Malawi Union of Savings and Credit Cooperatives
NASCENT	NASFAM Center for Development
NASCOMEX	NASFAM Commodity Marketing Exchange
NASDEC	NASFAM Development Corporation
NASFAM	National Smallholder Farmers' Association of Malawi
NBM	National Bank of Malawi
NORAD	Norwegian Aid
PAC	Policy, Advocacy and Communication
PROSCARP	Promotion of Soil Conservation and Rural Production
QGM	Quarterly General Meeting
RC	Regional Coordinator
SADP	Smallholder Agribusiness Development Project
SDU	Skills Development Unit
TSA	Technical Services Advisor
TS	Technical Specialist

Project Background – NSP Now in its Second Year

This quarterly report covers the third quarter of the 2001/2002 program year of the NASFAM Strengthening Project (NSP) that runs from October 1, 2000 to October 31, 2002 (25 months). NSP is the third phase of a seven-year program to promote rural agricultural development and food security through farmer-owned agribusiness marketing associations.

The first two phases under the Smallholder Agribusiness Development Project (SADP I & II), were managed by ACDI/VOCA under a USAID Cooperative Agreement from July 1995 to September 2000. SADP played a key role in the initial development of smallholder agribusinesses which: 1) improve smallholder returns on agricultural sales and better terms on inputs; 2) encourage greater smallholder self-sufficiency through access to information and improved business know-how; and 3) promote collective action through commercially sound and farmer-owned business associations.

In its first year of operation (1995/96), SADP transferred to targeted smallholder clubs the technical know-how to manage independent and efficient marketing operations based on sound business principles, and worked with service providers to improve services to smallholder clubs. As farmer needs became more apparent in 1996/97, SADP supported smallholder groups to take collective action to solve problems, and facilitated the development of structured EPA-level associations to acquire economy of size and collective power of voice. These smallholder farmer-owned associations now provide needed services on a commercial basis through which smallholder members realize increasing returns, reduction of costs, and solutions to their farm business problems. These associations have already started to develop the capacity to take over the provision of technical services to farmer clubs currently being made available through SADP's technical field program.

Smallholder farmer groups operate in a highly complex environment that has been in a process of continual change for the past 6-8 years. This element has brought to smallholders both opportunity, in the form of greater competition and improved access to cash earnings from specialized crops, and hardship from greater uncertainty related to market failure in the rural credit, input supply and transport sectors. Within this environment, during 1997/98, twelve smallholder farmer associations working with the project chose to respond to their changing environment by forming a national farmer organization that provides the marketing, business, training and management services to member associations. Association Representatives resolved to form and register the National Smallholder Farmers' Association of Malawi (NASFAM) that was incorporated under the Trustees Incorporation Act in February 1998.

SADP II (October 1, 1998 to September 30, 2000), officially recognized NASFAM as the agency for sustainable rural development to which its smallholder farmer membership subscribes. NASFAM took over the functions (including staff and budget) formerly held by SADP and took the initiative into new diversified crop marketing programs and geographic expansion. New crops and new operational zones included the northern region for Arabica coffee, Lilongwe for mixed crops, Balaka for cotton, Mulanje for chilies, and all current associations for diversified crop marketing and expansion into new business opportunities.

In October 2000, NSP inherited a network of 31 associations with 67,000 members. Although the member network is financially viable and sustainable, management capacity needs considerable attention. Expansion of crop marketing in terms of volume and diversification is also a key component of the NSP program. NASFAM's strategy for sustainability is further strengthened with the long-term commitment by other supporting donors including DANIDA, NORAD, and EU-PROSCARP who are assisting with infrastructure, training, market expansion and material support.

In October 2001 NASFAM started the process to develop a Strategic Development Plan (SDP), incorporating SDPs from all 34 member Associations. This report will cover the numerous initiatives resulting from these efforts.

1.0 Highlights: Third Quarter 2001/02– April to June 2002

- 1.1 NASFAM management and Association field staff has initiated 3,990 training and business meetings since October 1, 2001 involving 95,234 farmer participants. Women attending these sessions represent 34% of the participants.
- 1.2 As of June 30, 2002, membership has remained steady with 32 Associations/ pre-associations (those still in the formation stage) and over 92,000 members. The total number of EPAs covered by NASFAM remains at 61.
- 1.3 This quarter kicked off the crop marketing season and the following volumes have been moved as of June 30, 2002:

Crop	Volume (kg)	Purchase Value (KW)	Sales to Date (KW)
Zikometso chili	42,570	2,554,200	4,891,497
Balaka chili	1,685	66,150	
BASFA cotton	139,000	1,950,676	1,261,520
MASFA groundnuts	123,199	2,463,980	
KASFA rice	124,679	1,745,506	
Paprika			
Soya	67,631	743,941	1,149,727
Totals	498,764	9,524,453	7,302,744

- 1.4 The new NASCOMEX fertilizer importation program has jumped off to a great start with the first delivery to Nsipe Association in June. Total sales to date are:

Fertilizer Deliveries	Kwacha/mt
Tonnage	102.28
Total import value	5,194,854
Total sales to Associations	5,759,540
Gross profit	564,686

- 1.5 Association supply shops are becoming an important commercial activity with eight new shops starting operations this quarter, bringing the total of Association shops to twenty-nine. NASCOMEX has become the main supplier of shop commodities that include seed, treadle pumps, chemicals and hardware items. Gross sales of supplies to shops have exceeded K 6 million (\$80,000) since the start of the year.
- 1.6 Association staff directly employed by Associations is increasing in numbers as business and viability increases. Total staff numbers are now at 173 employees, far exceeding the number of employees employed by NASFAM (83). During the market season Associations also hire an estimated 55 seasonal workers.

2.0 NASDEC

- 2.1 **NASDEC** is the holding company owned by all NASFAM member Associations. Managed by the Board of Trustees and the Chief Executive Officer it is the home for Technical Services and Finance/Administration.
- 2.2 **Technical Services** – formerly Field Operations - is under the supervision of the Chief Operations Officer (COO). It encompasses all regional and field staff under contract with NASFAM who are responsible for the efficient running of all associations' operations; either directly as contracted Managers; or indirectly as auditors. The various components of Technical Services are:

Technical

- Three Regional Offices
 - Management Systems Advisors
 - Audit and Financial Service Officers
 - NASCOMEX Representatives
- Thirteen Association Management Centers (Companies)
 - Contracted Association General Managers and Managers
 - Some contracted Assistant Managers who are in training
 - Contracted Association Crop Production and Marketing Managers
 - A few remaining Technical Specialists

Program

- Rural Self Help Program (Road improvement, bridge repair)
- Association Equipment Revolving Fund (Computers/Motorcycles)
- Association Warehouse/Office Construction Program

- 2.3 **Audits and Financial Systems Unit (AFSU).** The main function of the AFSU team this quarter was continued site visits and surprise cash counts. They conducted an Association bookkeeping course in conjunction with HRDU and continued to assist bookkeepers on site. AFSU recruited eight finance/accounting interns from Polytechnic College in May to assist bookkeepers and auditors during the upcoming marketing season. The program is working extremely well. Interns from Bunda Agricultural College will be recruited next quarter.
- 2.4 **NASFAM Associations and Group Association Management Centers.** All 32 Associations have been formed into either “single association” management centers for the larger Associations, or “group association” management centers for the smaller Associations. All Associations will be registered as not-for profit companies limited by guarantee by June 2003. Even the former “Joint Associations” or JAMs will be registered as Group Association Companies.
- Single Association Companies include:
 - Karonga pre-association (rice)
 - Mchinji Association (groundnuts)

- Balaka Association (cotton)
 - Balaka Chili pre-association (Birdseye Chili)
 - Zikometso Association (Birdseye Chili)
 - Lilongwe South pre-Association (Mixed)
- Group Association Companies include:
 - Rumphi Group of Associations
 - South Mzimba Union of Associations
 - Kasungu Group of Associations
 - Lilongwe North Group of Associations
 - Ntcheu Group of Associations
 - Zomba Group of Associations
 - Namwera Group of Associations

Northern Region

Association Management Center	Associations	EPAs
Karonga Rice Growers Association	One	2 EPAs
Rumphi Group of Associations	Five	5 EPAs
S. Mzimba Union of Associations	Four	4 EPAs

Central Region

Association Management Center	Associations	EPAs
Kasungu Group of Associations	Four	4 EPAs
MASFA	One	6 EPAs
Lilongwe North Group of Associations	Three	3 EPAs
Lilongwe South Association	One	5 EPAs

Southern Region

Association Management Center	Associations	EPAs
Ntcheu Group of Associations	Two	2 EPAs
BASFA	One	5 EPAs
Balaka Chilies Pre-Association	One	4 EPAs
Zomba Group of Associations	Four	4 EPAs
Namwera Group of Associations	Four	4 EPAs
ZISFA	One	8 EPAs

- 2.5 **Field Training and Education:** The HRD and MIS Units in NASCENT monitor the primary club training program that is conducted by Association field staff. These training sessions are followed by regular club, market center and Association meetings held to

plan for and train for commercial services. For the third quarter of this year, (April through June 2002), the field staff had initiated 1,764 training and business meetings involving 38,781 participants. Women attending these sessions this quarter represent 27% of the participants.

<i>Meeting Type</i>	<i>Meetings Held</i>		<i>Participants</i>
Association Committee Meetings		86	1,083
GAC training and business meetings	837		16,350
Club training and business meetings	483		13,505
Other (Field Days)		358	7,843
	Total	1,764	38,781



Farmers from the new Utale Association in Lilongwe North receive training at a Market Center meeting

- 2.6 **Association Expansion and Membership Status.** Membership and club numbers have leveled off this quarter with no significant change. There are 32 Associations and pre-associations (those still in the formation stage) with 92,570 members, and the total number of EPAs covered by NASFAM remains at 61 (out of 160).

NASFAM Growth by Quarters					
Levels	(Oct 1, 01)	QTR 1	QTR 2	QTR 3	QTR 4
Farmers	93,542	96,181	92,570	92,570	
Clubs	5,162	5,135	4,940	4,940	
GACs	453	436	464	464	
Associations	34	32	32	32	

- 2.7 **Association Staff Continues to Grow.** Association staff directly employed by Associations is increasing in numbers as business and viability increases. Total staff numbers are now at 173 employees, far exceeding the number of employees employed by NASFAM (83). During the market season Associations also hire an estimated 55 seasonal workers:

<input type="checkbox"/> Managers		13
<input type="checkbox"/> Crop Production and Marketing Mangers	4	
<input type="checkbox"/> Association Field Officers		42
<input type="checkbox"/> Bookkeepers		12
<input type="checkbox"/> Data Entry Officers/Receptionists		13
<input type="checkbox"/> Shopkeepers		22
<input type="checkbox"/> Warehouse Managers		3
<input type="checkbox"/> Guards		56
<input type="checkbox"/> Other		8
Total		173

2.8 **Association Warehouse and Office Construction Program.** NASFAM is managing three different grants for the construction of market centers, offices and warehouses.

- ❑ **Market Centers:** Sponsored through EU-PROSCARP, the program started with the construction of eleven market centers in Mulanje that were completed in 2000. The program moved to Balaka where seven cotton market centers were completed in 2001. The program is now in Rumphi constructing three market centers for Kasitu Association and three centers for North Viphya (with one doubling as an association office). The program is scheduled for completion in August 2002.



John Engle, NSP Project Director, inspects a market depot being constructed by farmers in Mulanje, Zikometso Association

- ❑ **Association Office/shop.** Sponsored through DANIDA, NASFAM has long-term plans to construct an office-shop-warehouse combination at each Association location. To date, fourteen of these structures have been completed in Ntcheu (2), Namwera (3), Kasungu (4), and Rumphi (5). Each structure is comprised of an office, conference room, farm supply shop, and warehouse that can double as a training venue in the off-season.
- ❑ **Warehouse Construction:** Sponsored through NORAD, these large warehouses are planned for regional locations and some Group Association locations. Progress

to date:

- **Mchinji** – Construction completed and being used for the 2002 season
- **Lilongwe** – The site has been selected for this HO facility.
- **Mulanje** – Construction ongoing and expected to be completed in August 2002
- **Karonga** – Site selection ongoing; construction scheduled for July 2002

- 2.9 The **Board of Trustees** met once this quarter on the 17th and 18th of June 2002 for continued discussion on the NASFAM re-engineering and preparation for the 5th General Meeting held on the 19th and 20th of June. The BOT meets four times a year.



The NASDEC Board of Directors with new ex-officio members joining them for the first time

- 2.10 The 5th **General Meeting** took place this quarter on June 19th and 20th at the natural Resources College outside of Lilongwe. Over 90 Association Representatives attended the meeting to hear management reports and to discuss business and social issues affecting farmers' lives. A new Board member – Mrs. C. Mfunne from Hewe was elected to replace Mrs. Chemenye from Zikometso who had to step down.



Key policy issues are debated by farmers and approved at the NASFAM June General Meeting

3.0 NASCENT

The NASFAM Center for Development Support (NASCENT) has three Program Units: Human Resource Development (HRD), Policy and Programs Units (PPU), and Management Information Systems Unit (MIS). While most of their programs directly target and benefit NASFAM farmers and Associations, many of their services also have an impact on the lives of most Malawian smallholder farmers. It is our intention that these non-affiliated farmer groups will become familiar with NASFAM concepts and benefits, creating eventual demand for further expansion.

3.1 Human Resource Development Unit. The main focus of this unit this quarter was market center leader training at several Associations engaging in secondary crop marketing. HRD intends to strengthen and manualize all field management-training programs, and to improve on Association capacity building. The chart below indicates all HRD training since the start of the year.



Market Center Chairpersons from BASFA meet for cotton marketing training prior to the season

Internal Training Programs October 2001– June 2002

#	TRAINING WORKSHOP TITLE	TARGET GROUP	LOCATION	DATES	TOTAL TRAINED	M	F	REMARKS
1.	COMMITTEE STRENGTHENING TRAINING	NEW COMMITTEE MEMBERS	LILONGWE	NOV. 19-23	40	30	10	
			BALAKA	NOV.26-28	23	19	4	
			KASUNGU	DEC.11-13	40	38	2	
			SOUTH MZIMBA	DEC.	35	27	8	
			RUMPHI/MZUZU	DEC.	32	26	6	
			MULANJE	JAN 2-22	29	17	12	
			KARONGA	MAR 11-13	26	25	1	IMPROVE GENDER RATIO
			MCHINJI	MARCH 20	14	11	3	
2.	GENDER AWARENESS TRAINING	GENDER SUB-COMMITTEES	NAMADZI	MAY 9/10	15	11	4	
			MZUZU	NOV. 28	31	12	19	
			KASUNGU	NOV. 14	20	7	13	CHIWAMBA & ABSENT
3.	AFO INDUCTION COURSE	ASSOCIATION FIELD OFFICERS	ZOMBA	DEC.12	45	21	24	
			NRC-LILONGWE	FEB 4-8	37	37	0	
4.	BASIC RETAIL MANAGEMENT	ASSOCIATION SHOP KEEPERS	MEDI -MPONELA	FEB 11-14	27	10	17	
5.	BOOKKEEPING TRAINING	ASSOCIATION BOOKKEEPERS		APRIL 8-12	11	6	5	
6.	MARKET CENTER TRAINING	ALL MARKETING COMMITTEES	LILONGWE-S	APRIL 29	15	13	2	
			LILONGWE –N	MAY	25	20	5	
			RUMPHI	MAY	15	12	3	
			SOUTH MZIMBA	MAY	19	14	5	
			KASUNGU	MAY	14	12	2	
			BASFA	MAY 6/7		13	12	
TOTALS					513	381	132	
PERCENTAGES					100%	74%	26%	

EXTERNAL TRAINING WORKSHOPS (NORAD Funded)

#	NAME OF PARTICIPANT	WORKSHOP TITLE	VENUE	DATES	T	M	F
1	PETER NJIKHO	STRATEGIC PLANNING	MIM-LILONGWE	OCT.	1	1	0
2	SPENCER TSITSI	STRATEGIC PLANNING	MIM-LILONGWE	OCT	1	1	0
3	TIBONGE CHITHITI	FLEET MANAGEMENT	ESAMI-ARUSHA	OCT	1	1	0
4	MCLUWENI KACHIPANDE	INTERNAL AUDITING	ESAMI- MBABANE	DEC	1	1	0
5	G. KAMALIZENI M. NAMACHOTSA N. JENTALA C. TCHONGWE	SCC-STUDY CIRCLE CONCEPT	LILONGWE HOTEL	FEB 12	4	3	1
6.	W. CHITEDZE	PURCHASING AND STORES COURSE	LILONGWE	FEN 18	1	1	
7.	ALL NEW LITERACY TRAINERS	ADULT LITERACY INSTRUCTORS	MZIMBA	APRIL 8 – 12	34	23	11
8	MASFA AFOS ,LEADERS	GROUNDNUT GRADING COURSE	ICRISAT-CHITEDZI	APRIL 16-18	26	25	1
9.	AARON LIKUPE	SME WORKSHOP	SEEP- TANZANIA	MAY 27- JUNE 1	1	1	
10	AARON LIKUPE, DYBORN CHIBONGA	FORMATIVE RESEARCH PROCESS	ZAMBIA, TANZANIA	JUNE 17-28	2	2	
TOTAL					72	59	13

3.2 Program and Policy Unit. This Unit's responsibilities have been expanded to include the management of all the donor grants that include reporting, monitoring and grant proposal preparation.

3.2.1 The *Titukulane* newsletter for this quarter has been published in English, Chichewa and Chitumbuka (6,000 total for each publication run). The newsletter is published on a quarterly basis and is distributed to clubs of member Associations.

3.2.2 Bulletins. The **crop bulletin** - a single page, two-sided, mini-newsletter has proved to be very successful and will continue this year. It is prepared quickly and distributed in a timely manner to farmers producing and marketing specific crops including coffee, chili, groundnuts and cotton. Its main purpose is to provide timely production information and market news to farmers.

3.2.3 NASFAM Radio Programs. NASFAM works closely with the Agriculture Communications Branch of MAI for the production and broadcasting of educational and informational radio shows. Various shows were produced this quarter covering various topics resulting from the NASFAM Annual General Meeting and other programs.



NASFAM Chairperson, Mr. Nyasulu, signs the new NASFAM Gender Policy while Lesley Holst, advisor to the Policy Unit, looks on

3.3 Management Information Systems Unit A key project activity is to establish a two-way flow of information between Associations and NASFAM through the NASFAM Tracking System (NTS). A comprehensive data storage-retrieval and reporting system has been established and has greatly expanded NASFAM capabilities in management and marketing systems. Some progress to date includes:

- Recruitment and training of Data Entry Officers (DEO) at all 13 Association Management Centers; DEOs are now entering all Association data.
- Computers updated and installed at all 13 management centers
- New data base program designed and installed at all management center locations.

4.0 NASCOMEX – Marketing Operations

The crop-marketing season was in full swing this quarter (April/May/June) for chili, cotton, paprika, rice, soya, and groundnuts.

4.1 Export Marketing of Malawi Birdseye Chilies

4.1.1 Zikometso Association

Background. Now in its fifth year of operation, the Zikometso Association has three marketing zones covering nine EPAs - each zone has its own committee and general assembly. About 260 clubs and 50 marketing centers (MACs) create the backbone of the market structure and the 5,700 farmer members produce more than 60 mt of chili in the Association area of operation. The Association is managed through its own Board of Directors and has its own independent management structure.

The Association manager and the staff are on the way to achieving two major objectives this coming season: increase volumes and decrease operational costs.



Zikometso will market pigeon peas for the first time in several years

2002 Season to date:

- ❑ Seed distribution was completed in October 2001 and the new crop looked very good in terms of quality and quantity. Production volume was earlier estimated to reach 80 metric tons.
- ❑ NASCOMEX has signed forward contracts for ten containers (70 mt) with its European agent. Market appears very strong and the prices are good (ave. \$2,500 mt).

- ❑ Marketing started on March 28. Competing companies seem to have re-appeared after a long absence and the first price of K 60/kg was later increased to K90/kg. It is unclear what is creating renewed interest in the crop and what is driving up the price.
- ❑ Purchases to date are 42 mt bought at a farm gate price of K2.5 million (\$33,000). Sales to date are K 4.9 million from four exported containers (\$65,000).

Zikometso Chili Marketing - 2002 Season (Started March 2002)

Crop	Purchases to Date	Purchase Value	Sales Value	Sales to date
Chili	42,570 kg	K 2,554,200	K 7.2 Million	K 4,891,497
Pigeon Pea	Starts in August			

4.1.2 Balaka Chili Program

Background. A new office was opened in Balaka last year at the BASFA premises to kick-start a new chili marketing operation in Nankumba/Chilipa and Ntaja areas (each area has become a Chapter). A Manager was transferred to Balaka and TSAs were assigned to each Chapter in October last year. Clubs and Chapters were formed in time for the distribution of seed – sufficient to produce over 50 metric tons of chili. Association Field Officers were recruited in January and the clubs were trained in collective marketing techniques.

2002 Season to date:

- ❑ A warehouse was rented near the BASFA office and the warehouse clerk has been trained. Most training of staff and leaders has been conducted through the farmer-to-farmer program with trips to Zikometso. Experienced Zikometso staff has also traveled to Balaka to conduct inspections and provide on-site training.
- ❑ Marketing started slowly in May with the price set at K50/kg. Unexpected competition necessitated the increase in price to K80/kg.
- ❑ Total volume marketed to date is 1.7 mt valued at K66,000. Balaka will sell through the same forward sales contracts that NASCOMEX negotiated for Zikometso.

Balaka Chili Marketing - 2002 Season (Started May 2002)

Crop	Purchases to Date	Purchase Value	Sales Value	Sales to date
Chili	1,685 kg	K 66,150	K 284,000	

4.2 Cotton Production and Marketing

Background. The Balaka Area Smallholder Farmers' Association (BASFA) was formed in 2000 with a club and farmer membership today of 200 and 3700 respectively. The first two seasons focused on direct delivery programs with farmers achieving “ginners gate” prices that were 20% higher than farmgate prices.

2002 Season To Date

- ❑ Marketing started late this season in June with late announcements of prices by the two ginning companies. Significant volume was lost to competing traders speculating on future price gains (wrongly as it turned out).
- ❑ Prices are lower than last year with the Great Lakes ginnery buying at K15/kg (compared to K17/kg last year). ADMARC was only slightly higher at K16/kg. BASFA announced its farm-gate price at K14 leaving an extremely small margin to operate with.
- ❑ Despite the low price, NASCOMEX was able to negotiate decent sales contracts with the two ginning companies, decreasing costs significantly by including field collection in the contracts. Great Lakes agreed to pre-finance 100 metric tons saving BASFA interest costs and decreasing the strain on crop finance funds. Both companies provided adequate woolpacks preventing shipping delays and theft from “cotton hills”.
- ❑ BASFA has a new manager who has made great strides in improving field supervision, security and procurement systems.
- ❑ Cotton procurement has gone better than expected – low prices, increased competition and a slow start has put a serious dent in achieving the 1000 mt goal this season. To date 139 mt has been procured at a value of K1.9 million and delivered to both ginning sites.

Cotton Marketing – 2002 Season (Started June 2002)

Crop	Purchases to Date	Purchase Value	Sales Value	Sales to Date
Cotton	139 mt	K 1,950,676	K2,176,131	K 1,261,520



Cotton farmers from BASFA Associations load their MAC's cotton onto a truck bound for the ginnery

4.3 Groundnut Marketing

Background. The Mchinji Area Smallholders farmers' Association (MASFA) was founded in March 2000 with 206 clubs and 4,024 farmer-members operating nine market centers. Over 183 metric tons was marketed the first pilot year in 2000 with a second "bonus" payment of K660,000. This bonus created considerable confidence in the Association style of marketing and membership grew considerably. Tonnage increased to 427mt for the 2001 season with an excellent first payment of K30/kg. Today MASFA boasts 17,000 farmer members located in 768 clubs operating 40 market centers.



Board of Directors of MASFA and NASCOMEX staff discuss the 2002 market contract prior to signing. NASCOMEX has a contract with all participating Associations.

2002 Season To Date

- ❑ MASFA has just completed the construction of a large warehouse capable of storing 2000 mt of groundnuts.
- ❑ It also has capacity for the installation of grading equipment scheduled for next

year. This will allow MASFA to grade and export groundnuts and seek better markets in RSA.

- ❑ NASCOMEX has negotiated a package contract with Rab Processors of Limbe that includes pre-finance, a 1000 mt guarantee purchase, a supply of bags, and a dollar based contract at \$350. The main drawback is the 22% drop in price from \$450 last year.
- ❑ A key strategy is the link to the groundnut producing areas of Kasungu and Lilongwe South. Crop finance has been provided to these Associations and they are delivering to Rab as a part of the contract.
- ❑ A significant drop in international and regional prices has had serious negative affects on the industry this year. MASFA's farm gate price of K20/kg - a big drop from the K30/kg last season – has discouraged farmers from selling and many are holding their product hoping for a better price – probably in vain.
- ❑ Volume procured to date is 123 mt valued at K2.4 million – farm gate (\$32,000). Estimated volumes are projected at 400 mt.

2002 Season (Started in June)

Crop	Purchases to Date	Purchase Value	Sale Value (est)	Sales to date
Groundnuts	123,199	K 2,463,980	K 3.3 million	



MASFA groundnut marketing is simple and effective

4.4 Rice Marketing - Karonga

Background. The Karonga pre-association (KASFA) was founded in June 2001 with its first pilot rice marketing program starting in July of that year. By August 120,617 kg of paddy were procured and milled, and by the end of last year, 64,000 kg of long-grain polished rice and 9,550 kg of broken rice were delivered to the care of NASCOMEX

Marketing Operations Department for bulk and packaged sale.

In January 2002 NASCOMEX started the breakdown packaging of about 11 metric tonnes of Kaporo Kilombero rice into 1, 2 and 5 kg retail units and started wholesale operations with key high-end retailers in Lilongwe including Bisnowaty, Foodworth, Seven-Eleven, and Tutlas. This pilot effort proved highly successful and 25% more profitable and the program will expand greatly this coming season.

2002 Season to date:

- ❑ The 2002 market season started in June with a target of 500 mt paddy. Constraints on crop finance may reduce this volume but marketing has commenced very robustly.
- ❑ The main concern this year was the closure of the privately owned mill that was used last year. Although the KASFA rice-milling equipment has been purchased earlier this year, it will not be delivered and installed in time for this season. A contract with the Kambwe mill has been negotiated and test runs indicate that milling output and milling quality may be better than last year.
- ❑ Packaging equipment has been procured and delivered to Karonga. All retail packaging will be done in Karonga and delivered to Lilongwe on a schedule based on sale demand. Rice will be kept in paddy form until required.
- ❑ NASCOMEX has negotiated a 100 mt deal with Blantyre Milling that will move a significant portion of the rice in a timely manner. Recent samples sent to Blantyre have been well received.
- ❑ To date over 124 mt of paddy have been procured at a farm gate value of K 1.7 million. This represents 75 mt of polished rice worth over K 3.5 million wholesale. Anticipated volume is projected at 300 mt paddy. Milling and deliveries will commence in September.

2002 Season – Kilombero Rice

Crop	Purchases to Date	Purchase Value	Sale Value (est)	Sales to date
Kilombero Rice	124,679 -paddy	K1,745,506		
	75,000 – Est. clean		K3,500,000	



Paddy rice is loaded at the KASFA warehouse in Karonga to be transported to the mill.

4.5 Paprika – South Mzimba; Kasungu and Rumphi

Background. In June 2001 NASFAM signed its first contract with Cheetah Malawi Ltd. to buy and sell all the paprika in the South Mzimba area. The season ended with 27,447 kg of paprika sold to Cheetah valued at K1,803,072. South Mzimba farmers also marketed about 35.5 metric tons of high quality soybeans through the Association Union with a buy/sell margin of K3/kg. Total sales for soya beans exceeded K548,107

The market season will start in July this year. In addition to South Mzimba Union, nine additional Associations in Kasungu and Rumphi will also have paprika buying contracts with Cheetah Ltd this year. Soya is also looking good for those areas and we are looking at a bumper year.

2002 Season to date

- ❑ South Mzimba will expand its paprika marketing program for 2002 by increasing volumes and improving management.
- ❑ Paprika will also be the main secondary crop for the four Rumphi Associations and the four Kasungu Associations. Kasungu and Rumphi will have new office/warehouse structures at each Association site and will be in excellent shape to introduce this new activity this coming year.
- ❑ North Viphyia Association, at a disadvantage with its emphasis on coffee, will now re-launch itself as the main paprika buyer in Mphompha EPA under contract with Cheetah. New market depots are being constructed with assistance from EU-PROSCARP.

2002 Season (Starts July 2002)

Crop	Purchases to Date	Purchase Value	Sale Value (est.)	Sales to date
Paprika				

4.6 Soya Marketing

The season started in May 2002. Soya is fast becoming NASFAM's major secondary crop with paprika a distant second. During the 2001 season, four Associations marketed a total of 61.8 metric tons worth K939,934. This year is starting slow but steady with over 67 mt of soya marketed to date with a sales value of K 1.15 million (\$15,000). It is anticipated that soya marketing will exceed 250 mt in 2002.

Soya 2002 Season (Started May 2002)

Crop	Purchases to Date	Purchase Value	Sale Value (est.)	Sales to date
Soya Bean	67,631	K743,941		K1,149,727

NASCOMEX Crop Marketing Summary
October 1 2001 to June 30, 2002

Crop	Volume (kg)	Purchase Value (KW)	Sales to Date (KW)
Zikometso chili	42,570	2,554,200	4,891,497
Balaka chili	1,685	66,150	
BASFA cotton	139,000	1,950,676	1,261,520
MASFA groundnuts	123,199	2,463,980	
KASFA rice	124,679	1,745,506	
Paprika (Mzimba, Rumphu, Kasungu)			
Soya	67,631	743,941	1,149,727
Totals	498,764	9,524,453	7,302,744

5.0 NASCOMEX – Business Operations

5.1 Bulk Fertilizer Procurement and Sales

Background - Results for this production year: 2001/2002. The cash phase of this program usually starts during the last quarter of the previous reporting period (July, August, and September of 2001) but it has been traditional to report the final results under the current production year - in this case 2001/2002 – because the bulk of the fertilizer sold takes place through credit systems during the 1st quarter (Oct/Nov/Dec 2001) of the program year. In first quarter's report, the following statistics were reported:

- ❑ 3,500 metric tons of fertilizer was purchased at a value of K77.35 million (or \$1,184, 265).
- ❑ Savings off local retail prices 8.1% for a total savings of K6,278,663 or \$96,594
- ❑ Transport was free
- ❑ 22 Associations earned commissions of K1.2 million or \$18,734.

NASFAM Associations have tendered out their fertilizer demands for the past four seasons. Local suppliers compete for both cash and credit orders and farmers benefit from discounts and free delivery. Earnings to Association are in the range of 1% to 3% of total sale value and prices to farmers have been a modest 10% lower than local retail options.

2002/03 Season to Date

This year is a major turning point for NASFAM as NASCOMEX takes the lead in direct importation of fertilizer for the first time. The season started in June with the first delivery of NASCOMEX fertilizer to Nsipe Association warehouse followed by deliveries to Associations in the Central and Southern Regions.

- ❑ NASCOMEX has negotiated a contract with a South African company (PJC Ltd.) and is working with a Malawi partner company (Rab Processors) for the direct importation of an estimated 9,500 mt of fertilizer on consignment terms.
- ❑ This very large pilot effort is targeting all 32 Associations to sell through cash (July to September) and credit systems (October to December).
- ❑ NASCOMEX has provided competing fertilizer companies the opportunity to buy-in to the program but without any takers.
- ❑ NASCOMEX Business Operations staff worked with a consultant this quarter to develop guidelines for both head office distribution and sales systems as well as Association fertilizer management systems. These guidelines have been instructed to Association management and staff through one-day hands-on training sessions

at every Association AMC.

- During the month of June when the program started, more than 100 mt of fertilizer (CAN, Urea, 23:21:00, and D Compound) have been imported and delivered to Associations at a purchase value of K5.2 million or \$70,000.

Fertilizer Deliveries	Kwacha/mt
Tonnage	102.28
Total import value	5,194,854
<u>Total sales to Associations</u>	<u>5,759,540</u>
Gross profit	564,686

5.2 Association Farm Supply Shops and Central Supply

Association Farm Supply Shops. Eight new shops started operations this quarter bringing the total to twenty-nine. NASCOMEX has become the main supplier of shop commodities that include seed, treadle pumps, chemicals and hardware items. Gross sales of non-fertilizer items this fiscal year to date is about K6 million (\$80,000). Next quarter should see a serious increase in sales as NASCOMEX expands operations into fertilizer and other commodities



Two Associations run this shop in Embengweni – members Of South Mzimba Smallholders Union

<u>Item</u>	<u>Sale Value (Kw)</u>
Seed	127,030
Treadle Pumps	1,914,900
<u>Other</u>	<u>3,969,943</u>
Total Sales	6,011,873

Association	Shop Location	Start-up Date
Nsipe	Nsipe, along the M1	September 1998
Kandeu	Kandeu EPA	November 1998
Nkhamanga	Bolero Boma	February 1999
Henga Valley	Mhuju Boma	February 1999
Dzaone	Dzaone EPA	December 1998
Chipala	Gogode	January 2001
Joka/Lwasozi	Embengweni	April 2001
Elangeni	Mabulavo	July 2001
Champira	Jenda	July 2001
Hewe	Hewe EPA	September 2001
Kasitu	Mbwengu EPA	September 2001
Nyanja	Nkoma Turn-off	November 2001
Masuku	Masunku EPA – main road	January 2002
Katuli	Katuli EPA	January 2002
Mtiya	Namwera –Main Office	January 2002
MASFA	Kamwendo	March 2002
Lisasadzi	Lisasadzi – on M-1	March 2002
Namadzi	Namadzi – on Blantyre Rd.	January 2002
Thondwe	Thondwe market	January 2002
BASFA	Balaka town	March 2002
Zikometso	Mulanje	April 2002
	Phalombe	April 2002
	Thyolo	April 2002
Nyambi	Nyambi Town	May 2002
Ngwelero	Ngwelero	May 2002
Lilongwe S.	Mpenu	June 2002
	Nyanja	June 2002
Chamama	Chamama	June 2002
Chulu	Chulu	June 2002

NASCOMEX provides the following commercial services to Associations with retail operations:

- ☐ Consignment stock contracts with seed and supply companies
- ☐ Consignment stock program for fertilizer – cash and credit systems
- ☐ Direct order systems for the payment and delivery of goods through HO (hardware, consumables, chemicals)
- ☐ Central supply service through HO for bulk commodities (treadle pumps)
- ☐ Stock transport through the NASCOMEX fleet

5.3 Fleet Management

NASCOMEX manages two commercial trucks of four and seven tonnage. As of June 30, 2002, after three quarters of operation, the two-truck fleet generated K 2.6 million (\$ 34,000) in gross revenues and earned a net surplus of K 1.3 million (\$17,000).

5.4 Bulk Transport Contract Management

Bulk transport operations started in April this quarter and it is anticipated that bulk transport contracts will exceed K 45 million or \$600,000 this year. To date, transport contracts have exceeded K30 million (\$405,000) with Associations earning commissions of K6.16 million (\$82,000) and NASCOMEX earning about K 9.2 million (\$12,000). A full-time employee is paid by the department to manage the extensive tracking that is required for this service and three staff work in the field to assist farmers in the preparation and verification of transport documents. In addition to transport contracts, NASFAM also provides group blanket insurance coverage for goods in transit, storage, and fire/theft. Cost of the policy is shared by all the participating Associations.



Paprika, bound for Lilongwe, is loaded on a truck contracted under NASCOMEX to haul for South Mzimba Union

6.0 NASFAM Grant & Loan Support

In addition to NSP support, NASFAM has been receiving grants from several sources: EU-PROSCARP, DANIDA and NORAD. As of May this quarter, all DANIDA aid has ceased due to macro-political issues, and PROSCARP completed its contractual arrangement with NASFAM as planned after three productive years of collaboration. Each grant or loan is accounted for according to each donor's conditionalities, and where special requirements exist, is monitored for compliance.

6.1 EU-PROSCARP Grant

This five-component, K5.3 million grant started in October 1999 and finished in June 2002. The program was first extended in July 2000 for twelve months with an additional K 2,630,000 (first extension ended in June 2001). An addendum was signed in October 2000 for K 1,412,000 to continue construction of cotton marketing depots in Balaka. The second and last extension was signed in 2001 to complete market centers in the Rumphi area.

<u>Activity</u>	<u>Funding</u>
• Crop Finance Fund (original)	K1.000 million
• LESSA Input Loan (Seeds and treadle pumps)	K .622 million
• Village Storage Depots	K 2.685 million
July 2000 extension	K 1.000 million
October 2000 addendum	K 1.412 million
• Land-use Management Advisors (3)	K 1.000 million
July 2000 extension	K 1.000 million
• Sprayers (July extension)	K .630 million

6.2 DANIDA Grant

DANIDA funding ceased as of the 31st of May due to national level bi-lateral issues. NORAD has indicated that they may support some of the programs critical to the NASFAM operation that were formerly funded by DANIDA. The grant has four programmatic themes. Budget amounts are shown below. Funding is in Danish Kroner - amounts are converted to US Dollars for the purpose of this report.

	<u>LOP</u>
	<u>Budget</u>
	<u>US\$</u>
1.Programme Expansion (including equipment)	375,000
2.Training and Material Development	300,000
3.Association Office Construction	185,000
4.Crop Finance Working Capital (Revolving Fund)	165,000
Total	US\$ 1,025,000

The grant represents funding under Phase I of DANIDA's wider programme of support to the Agricultural Sector, and was to end on 30 June 2002 (now May 31st 2002).

6.3 NORAD Grant

NASFAM entered into an agreement with NORAD effective 1 October 2001 for support to four programmatic areas. Budget amounts are shown below and flow to December 2002 at which time a new contract is expected to start. Funding is in Norwegian Kroner - amounts are converted to US Dollars for the purpose of this report.

	LOP
	<u>Budget</u>
	US\$
1.Human Resource Development	410,000
2.Material Support	450,000
3.Community Action	150,000
4.Commercial Programmes	250,000
5.Overhead Support	<u>230,000</u>
Total	US\$ 1,490,000



Arild Skara of NORAD visits farmers in Lilongwe South Smallholders Farmers' Association

6.4 USAID: NSP Project Grant

NSP, managed by ACDI/VOCA, provides core funding and technical expertise under a contract arrangement with the NASFAM Board of Trustees. The grant covers most of NASFAM's administrative costs including payroll, equipment, supplies, operational costs and maintenance. The current NSP grant and contractual agreement ends October 31st, 2002. A one-year extension is expected to run to September 30, 2003.

7.0 Project Planning, Reporting and Monitoring

- 7.1 **Planning, Monitoring and Reporting.** The planning, monitoring and reporting program for NASFAM is extensive. An annual strategic development planning workshop is held once a year for top-level NASFAM management to review ongoing programs, plan for new initiatives, and develop new concepts. This workshop is supported by four follow-on Association management meetings held periodically where Association managers and regional coordinators link up with head office program managers to discuss program and administration issues.

The NASFAM head office meets bi-weekly by company (NASCENT and NASCOMEX) to discuss assignments for the week and coordinate on-going activities. Each Regional office and Association management team also meets on a weekly basis to review progress and plan for the week's activities.

The NASFAM Executive Committee meets at least once a month and on a needs-be basis to form a consensus-based decision making process, to maintain effective communication, and to develop a personable and professional working relationship between NASFAM leadership and technical advisors. The Executive Committee is made up of the CEO, COO, Executive Director of NASCENT, the General Manager of NASCOMEX and the Financial Director. The two NSP Advisors also maintain a seat on the Committee.

Planning and reporting procedures at the Association level start with the development of the Annual Work Plan, now done in coordination with the Regional Support Teams. Association management also compiles Quarterly Action Plans that are reviewed and adjusted weekly. Association business reports are submitted monthly to NASFAM Head Office. NASFAM also prepares an Annual Work Plan, and progress reports on activities are prepared quarterly and annually.



Association Managers meet four times a year to plan operations and discuss problems

Planning, Reporting and Monitoring

Association Level	Annual Work Plan and budget	Two weeks before Program Year
	Quarterly Action Plans	Oct-Dec/Jan-Mar/Apr-Jun/Jul-Sep
	Weekly Planning and Monitoring Meetings, w/Association Management	Held either Monday or Fridays
	Monthly Business Reports	Submitted first week of following month
	Monthly financial reports	Submitted first week of the month
	Committees meet monthly, Coordinator member of Committee	Monthly
	Association General Assembly meets Quarterly for activity planning	Four per year, every quarter
	Association Meets for AGM: Elections, Work Plans, Budget, Annual Report,	Annually – end of FY
NASFAM Office	Annual Work Plans	To start October 1
	Quarterly Reports	Submitted first week of Jan, Apr, July, Oct
	Annual Report	Oct - Sept; Submitted November
	Annual and monthly financial reports	FY start October 1
	Frequent Field Visits to Associations	Throughout the year
	Field Management Meetings	Four per year, every quarter
	Executive Committee Meetings	Weekly; needs-be basis
Regional Team	Regional Coordinator prepares Quarterly Report; assists Association in the preparation of their plans, budgets and reports	Every quarter,
	NASFAM Audit Team Audits Associations, trains bookkeepers, prepares annual report; team reports to committees	Every quarter, report is annual
Board of Directors	Board Meetings; GM reports	Four per year; every quarter
	Attend Association Meetings	As scheduled
	Review and Inspect new Associations	As scheduled
	Approve Auditor; receives report	End of FY
NASFAM General Assembly	General and Annual General Meetings. At AGM: Annual Work Plans and Budgets discussed; Annual Report and Annual Financial report reviewed, elections held	June and December